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SUBJECT: AMBASSADOR LOFTIS DISCUSSES SMA WITH DIET MEMBERS,  
MOFA, MOD, AND FINANCE

Classified By: AMBASSADOR J. THOMAS SCHIEFFER, REASONS 1.4(B),(D).

11. (C) SUMMARY. Ambassador Robert Loftis, Senior Advisor on Security Negotiations and Agreements, met with Diet Members, the Ministry of Foreign Affairs, Ministry of Defense (MOD), Ministry of Finance (MOF) and DFAA to outline the U.S. Government desire for a three-year extension of the Special Measures Agreement (SMA) at current levels. Japanese interlocutors consistently cited fiscal woes and, disavowing any "understanding" between then-Secretary Rumsfeld and then-Minister Nukaga, rebuffed the idea of a three year extension. MOD officials called for a full review of the current SMA. Along with MOF officials, they focused on the need to bring Japanese base worker wages into parity with Japanese government workers. Diet Member Ishiba suggested that, as Japan loosens restrictions on collective self-defense, host nation support should be reduced. END SUMMARY.

12. (C) During a May 30-June 2 visit, Ambassador Robert Loftis, Senior Advisor on Security Negotiations and Agreements met with a series of Japanese officials from the Diet, MOFA, MOD, DFAA, the Cabinet Secretariat, and the Ministry of Finance to discuss the Special Measures Agreement. Japanese government interlocutors were consistent in wanting reductions in SMA rather than a three year extension. Repeatedly, the Government of Japan cited the "severe" fiscal situation due to public debt and current financial commitments to the Guam relocation and the Defense Policy Review Initiative (DPRI) as reasons for a need to cut the defense budget. They all rejected the idea that there had been an understanding reached in 2006 between Secretary Rumsfeld and Minister Nukaga that the Japanese government would make a best effort to extend the current agreement for three years in return for coming to closure on DPRI. In response, Ambassador Loftis made it clear that the Japanese government must decide politically what it is willing to pay for the defense of Japan and what message a protracted SMA discussion would send about the alliance, especially in light of the U.S. commitment of ever-greater capabilities to the alliance, and spiraling defense costs in the war on terrorism. Ambassador Loftis emphasized that the three year extension is the most reasonable way forward that avoids needless politicizing of the SMA.

13. (C) Japanese officials, especially in MOD and the Ministry of Finance (MOF), highlighted a number of areas that they

will seek cuts in SMA, "rationalizing" the agreement in budgetary terms. They stressed the need to explain SMA costs to the Japanese public, especially in terms of trying to trim the budget. These explanations were repeatedly referred to as "rationalizations." The primary topics of these "rationalizations" were;

- decreasing the wages of Japanese employees on U.S. bases
- decreasing the numbers of Japanese-funded employees on U.S. bases
- using more efficient energy policies and equipment

14. (C) Labor costs were the main area of the SMA highlighted for cuts. In particular, the government of Japan wants to examine SMA costs including salary and benefit levels and the number of Japanese employees on U.S. bases. Japanese officials insisted that USFJ employed Japanese workers, wages and benefits be brought in line with Japanese public servants. Though Ambassador Loftis and USFJ Deputy Commander Major General Larsen repeatedly pointed out the wages of USFJ Japanese employees are set by the government of Japan, the Japanese continued to underscore the issue, linking it to the SMA.

15. (C) Meetings with Diet members, MOFA, and MOD noted that while the number of U.S. service personnel in Japan has declined, the number of local employees has increased. Ambassador Loftis responded by saying that Japanese employees do not simply support U.S. personnel, but even more importantly, the facilities that must be maintained to support contingency or emergency use. Since Japan wants fewer Americans stationed in Japan but still wants to avail itself of U.S. defense capabilities, Japanese funded local employees are essential. Another common claim by the government of Japan is that host nation support costs per

U.S. service personnel is exceptionally high in Japan in comparison to other countries. Ambassador Loftis pointed out that the figures prepared by the Ministry of Defense were dated to 2002 and failed to take into account Seventh Fleet forward deployed personnel and current deployments from Japan in support of the War on Terror. MOD and Diet members suggested that Japan pays more than half of the total host nation support received by the U.S. from all of its allies worldwide. Ambassador Loftis countered that burden sharing includes more than financial contributions and that defense and burden sharing relationships with each American ally are unique.

16. (C) A traditional area for cuts in SMA, utilities, was also discussed. DFAA, in particular, was interested in encouraging the U.S. to defer costs on utilities and said that efforts to cut utilities costs by USFJ are not visible yet. Also brought up in multiple venues was the complaint that only in Japan does the U.S. ask for the host country to pay for utility costs, a fact that is difficult to explain to the Japanese public and Diet. Ambassador Loftis repeated that the situation for host nation support in each country is tailored to the relationship's unique circumstances, and that making direct comparisons with other countries, some of whom provide utilities, is unproductive.

17. (C) Beyond cuts in SMA, Shigeru Ishiba, Diet Member and former Director General of the Japan Defense Agency, made a new argument by claiming that there is a need to strategically reassess role sharing responsibilities within the alliance. Ishiba noted that SDF capabilities have significantly improved since Japan first began paying SMA and suggested that the current debate about collective self-defense points the way to a more capable SDF that will not require a robust U.S. presence for the defense of Japan. With collective self-defense Japan will not need U.S. military bases nor an SMA, he said.

18. (C) COMMENT: The Japanese were consistent in their message: no extension of the current agreement and the new agreement must lower Japan's host nation support costs. The Japanese pushed most strongly for cuts in the wages and

salaries of Japanese nationals, arguing that this would represent no cost to USFJ and that it would be in line with cuts to civil service salaries. For the next steps, the Embassy will follow up with senior Japanese leaders and press the point that we expect the Japanese to live up to the Rumsfeld-Nukaga understanding.

19. (U) Ambassador Loftis has cleared this message.  
SCHIEFFER